



IMMEDIATE RELEASE

The Primary Fund
A Statement Regarding Special Reserve Under the Plan of Liquidation

New York, December 24, 2008 – On December 3, 2008, the Board of Trustees (the “Board”) of The Reserve Fund (the “Trust”) announced that it had adopted a Plan of Liquidation (the “Plan”) for the orderly liquidation of the assets of the Primary Fund (the “Fund”), to be implemented subject to the supervision of the Securities and Exchange Commission. Under the terms of the Plan, Interim Distributions are to be made to Distributees Pro Rata out of Fund assets (as such terms are defined in the Plan) up to the amount of a special reserve. As disclosed in the Plan, the special reserve will be used to satisfy (a) anticipated costs and expenses of the Fund, including legal and accounting fees; (b) pending or threatened claims against the Fund, its officers and Trustees; and (c) claims, including but not limited to claims for indemnification that could be made against Fund assets. The Board took this approach because it considered it important to provide liquidity to investors without prejudicing the legal rights and remedies, if any, of any Distributee’s claims.

The Board, together with outside advisors, has begun the process of estimating the amount to be initially set aside for the special reserve. That work is ongoing and the Board expects to make a preliminary estimate within 45 days. Investors should be aware, however, that for the reasons discussed below, it is extremely difficult to estimate those total potential liabilities with any degree of precision.

At the time the Plan was announced, eighteen individual and class action cases had been commenced against the Trust, the Fund and others in federal and state courts around the country, asserting liability under numerous different legal theories and seeking various forms of relief, including general, special and punitive damages. Certain regulatory investigations have been commenced as well. At this early stage, it is not possible to predict what the outcome of these investigations will be. Given that claims for compensatory and punitive damages have been asserted, it is not possible to estimate with precision the Fund’s potential damage exposure. The potential damages could include a portion of plaintiffs’ attorney’s fees and expenses.

The fees and expenses the Fund might incur in defending against these claims are also difficult to estimate and depend upon the length of the litigation. In an effort to minimize those fees and expenses, the Fund has made a motion before the Judicial Panel on Multidistrict Litigation (the “JPML”) for an order transferring all of the cases to a single court in New York for coordinated or consolidated pre-trial proceedings which, if granted, will significantly streamline the litigation and reduce the Fund’s litigation costs (the “Transfer Motion”). Some plaintiffs have opposed the Transfer Motion, seeking to litigate their claims in separate courts on their own schedule, despite the increased cost to the Fund and, ultimately, to all of the Fund’s shareholders. Other plaintiffs have sought to consolidate those cases currently pending in federal court in New York into one case (the “Consolidation Motion”). The Fund has supported the Consolidation Motion on the grounds that, among other things, it is in shareholders’ interests to streamline the litigation as much as possible. Other plaintiffs have opposed the Consolidation Motion. Litigation in multiple courts tends to increase the cost of litigation to the Fund. It is not possible to predict the number of cases, or the length of litigation, involving the Fund. As a result, it is difficult to estimate the Fund’s potential legal expenses.

In addition to its own litigation expenses, the Trust has an obligation to indemnify the trustees and officers of the Trust. For the same reasons discussed above, at this stage, it is impossible to estimate what the total costs of these obligations will be with any degree of precision.



The Reserve

The Fund is also responsible for any extraordinary fees and expenses beyond those an investment company would typically incur. This includes, for example, the fees and expenses incurred by the accounting firm engaged to perform certain tasks in connection with the Interim Distributions, as disclosed in the Plan. The Fund cannot presently estimate the total amount of extraordinary fees and expenses it might be required to make.

In approaching the establishment of the special reserve, the Board's overarching goal has been and will be to set the special reserve at an amount that takes account of a reasonable estimate of the Fund's total potential liabilities so that it will be able to meet claims, if any, for damages by investors, while not withholding money unnecessarily that could be returned to shareholders without risking that shareholder claims will not be met if successful. The Board is carefully evaluating relevant information with this goal in mind. Because that work is still ongoing and circumstances are in a state of flux, after discussions with the staff of the SEC, the Board has decided temporarily to defer setting the amount of the initial special reserve for another 45 days. This is not expected to impact the Interim Distributions, which will continue to be made up to the amount of the special reserve. Amounts in the special reserve will be distributed to shareholders once claims, if any are successful, have been paid or set aside for payment. However, determination of entitlement to those amounts may take a long period of time and involve substantial expense.

An investment in the Fund is not insured or guaranteed by the Federal Deposit Insurance Corporation or any other government agency. Although the Fund seeks to preserve the value of your investment at \$1.00 per share, it is possible to lose money by investing in the Fund. Money market yields may vary.

Resrv Partners, Inc., Distributor. Member FINRA. 12/08

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